

MEDICAID FUNDING – LET’S FIX THE REAL PROBLEM

THE ISSUE

Maryland’s projected Medicaid shortfall for Fiscal Year (FY) 2012 is \$1.16 billion. Largely responsible for that deficit is the program’s rapid expansion: In FY 2007, there were 520,436 Medicaid enrollees; that number soared to more than 900,000 in FY 2011 and is anticipated to top one million in FY 2012.

This expansion has largely been funded in two ways: More than \$133 million in cuts to hospital payments over the past three years, including last year’s assessment of \$33 million; and federal funding that will end June 30, which accounts for \$850 million of the projected Medicaid budget deficit. With the budget situation looking much worse in FY 2012, hospitals have again been targeted with a disproportionate share of cuts.

Unless a long-term funding plan for Medicaid is developed, hospital cuts will continue to grow exponentially as Medicaid enrollment is expanded under health care reform. This is partly because the state cannot reduce Medicaid eligibility to save money without losing the enhanced federal match provided by the reform law to help the Medicaid expansion that begins in 2014. That federal enhancement gradually scales back in subsequent years.

WHAT WE’RE FOR

- **A long-term Medicaid funding solution**--Any short-term plan to eliminate the FY 2012 deficit must be tied to a commitment to develop a long-term plan to fund Medicaid, including new revenue sources and potential changes to optional benefits.
- **The burden of the assessment must be shared broadly**--If an assessment is part of the Legislature’s FY 2012 deficit-reduction efforts, 100 percent of the assessment should be added to hospital rates and, therefore, the burden shared as widely as possible. The assessment would be a permanent funding mechanism for Medicaid budget gaps and all, not just hospitals, should share in that cost. Hospitals have already been hit hard by Medicaid cuts above and beyond the assessment. Were hospitals to shoulder the entire burden, cuts in jobs and clinical services would affect access to care for the very people Medicaid is designed to serve ... and more.
- **Keep hospitals financially sound**--Hospitals are one of the largest employers in Maryland, creating a \$24 billion contribution to the Maryland economy in jobs and purchases. In addition to hospitals’ previous contributions to the Medicaid deficit, legislators must keep in mind that hospitals will be required to invest millions in upfront funding to develop the health information technology infrastructure and other improvements that health care reform will demand. Integrated clinical care initiatives and new bundled payment programs associated with reductions in readmissions will require significant hospital spending to ensure proper implementation.